

Service Date: April 14, 1988

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of The Montana)	UTILITY DIVISION
Public Service Commission's)	
Investigation of Federal Tax)	DOCKET NO. 86.11.62 (7)
Reform Impacts on Public)	
Utility Revenue Requirements.)	ORDER NO. 5338
_____)	

FINAL RATE ORDER

FINDINGS OF FACT

1. On November 24, 1986, the Montana Public Service Commission (MPSC or Commission) initiated this Docket with an Order to Show Cause, Order No. 5236, that existing rates for public utilities remain just and reasonable following the Tax Reform Act of 1986 (TRA). All respondents were ordered to provide the information required by the Commission's minimum filing requirements on or before February 1, 1987.

2. Accordingly, on January 30, 1987, Montana-Dakota Utilities Company (MDU, Company, or Applicant) filed with the Commission its response for its gas operations in compliance with Order No. 5236. In that filing, MDU stated that the effects of the TRA did not result in a need for a decrease in the Company's gas rates and provided information to verify that position, based on the

historical test period for the twelve months ended June 30, 1986.

This filing utilized a 40 percent Federal tax rate, and the capital structure and costs approved in Order No. 5160a of Docket No. 85.7.30., including a return on equity of 13.00 percent, to calculate a revenue deficiency of \$2,634,423. The Company made several adjustments and calculations in the same manner as was approved by the Commission in Docket No. 85.7.30, Order No. 5160a.

Based on its analysis, the Company did not request a rate increase and requested that the rates MDU is permitted to charge its natural gas customers in Montana not be adjusted to reflect the Company's calculated cost of providing such service, including the impacts of the TRA, and that the Commission issue an order closing Docket No. 86.11.62(7). MDU also generally requested such other and further relief as is equitable and just.

3. On March 4, 1987, the Commission issued Order No. 5236a, which was a preliminary procedural order based on the Commission's finding that preliminary comment on generic legal and policy aspects of the TRA would promote a uniform regulatory approach, while avoiding unnecessary duplication of effort. Specifically, the Commission requested comment on several issues raised by the TRA.

4. On May 27, 1987, the Commission issued Order No. 5236b, which requested the utilities to answer certain questions concerning the effects on operating results of Statement on Financial Accounting Standards 87 (Statement 87), issued by the Financial Accounting Standards Board (FASB). This request for comments from the utilities in this same TRA Docket was the result of no

respondents addressing this issue in their response to Order No. 5236a.

5. Based on the Commission's analysis of the utilities' and Montana Consumer Counsel's responses to Order No. 5236a, on June 8, 1987, the Commission issued Order No. 5236c, which addressed each issue of the TRA focused on in Order No. 5236a. In Order No. 5236c, the Commission stated that the direction given in that Order may be applied to utilities' results of operations filed in Docket No. 86.11.62 (sub 7 for MDU gas) and that such application may result in tariff changes being ordered on an interim and/or final basis.

6. Pursuant to the Commission's Order No. 5236c in Docket No. 86.11.62, the Commission submitted Data Requests to all affected public utilities operating in Montana. In particular, Data Request 19 (DR 19) asked the utilities to provide a detailed table showing the itemized effects of implementing the Commission's decisions in Order No. 5236c on the revenue requirements presented in each utility's compliance filing in this Docket.

7. In compliance to DR 19, MDU provided its response in a manner similar to the Statement J, Schedule J-1, Rule 38.5.169, provided in the original filing of January 30, 1987. By utilizing the last granted capital structure and return on equity level of 13.00 percent, the Company calculated that it required a Montana jurisdictional revenue increase of approximately \$2.2 million. (MDU DR 19, Attachment A, page 1 of 6, and Exhibit DRB-4)

Commission Analysis

8. Montana Consumer Counsel, who submitted Data Requests, did not file any testimony in this proceeding.

9. Based on its extensive analysis of the Company's compliance filing and responses to all Data Requests in Docket No. 86.11.62(7), the Commission finds that the gas rates of MDU do not need to be adjusted as a result of the effects of the TRA. The Commission, therefore, finds the closing of Docket No. 86.11.62(7) to be proper.

CONCLUSIONS OF LAW

1. The Applicant, Montana-Dakota Utilities Company, furnishes natural gas service to consumers in Montana and is a "public utility" under the regulatory jurisdiction of the Montana Public Service Commission. Section 69-3-101, MCA.

2. The Commission properly exercises jurisdiction over the Applicant's rates and operations. Section 69-3-102, MCA, and Title 69, Chapter 3, Part 3, MCA.

3. The rate level and rate structure approved herein are just, reasonable, and not unjustly discriminatory. Section 69-3-330, MCA.

ORDER

1. The Commission orders that the rates of Montana-Dakota Utilities Company do not need to be adjusted as a result of the Tax Reform Act of 1986. The Company, therefore, does not have to file any rates to reflect the findings of this Final Order.

2. This Final Order is effective for services rendered on and after April 11, 1988.

DONE AND DATED at Helena, Montana, this 11th day of April, 1988 by a vote of 5 - 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Carol A. Frasier
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.